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DEPT FOR WHA/CAR AND CA/VO

E.O. 12958: DECL: PUBLIC RELEASE OF DOUGHTY STREET CHAMBERS REPORT
TAGS: PGOV KCRM CVIS XL
SUBJECT: ANTIGUA GOVT HOLDS TRUMP CARD OVER CORRUPT
OPPOSITION LEADERS

Classified By: Charge d'Affaires, a.i. D. Brent Hardt, reasons 1.4 (b,d)
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SUMMARY

¶11. (c) On June 22, UK High Commissioner Duncan Taylor passed to the Charge a copy of a "confidential opinion" from a law firm hired by the Government of Antigua and Barbuda to investigate possible corrupt activities by the previous government with regards to repayment of a development loan. The report names former PM Lester Bird and opposition MP Asot Michael as key players in a scheme to bilk Antigua's budget out of some \$14 million in a rigged loan financing operation.

While the report is not yet ready for release, there is probably enough damning information in it to give the ruling UPP the leverage it needs to forestall any concerted effort by the opposition to challenge the UPP's slim parliamentary majority and force new elections. When the report is complete, Post will assess whether it would be appropriate to pursue visa ineligibilities under section 212(f) for individuals implicated in the investigation. End summary.

¶12. (c) On June 22, UK High Commissioner Duncan Taylor shared with the Charge a draft "confidential opinion" from an independent law firm hired by the GOAB to investigate a potential multi-million dollar fraud perpetrated by senior members of the Lester Bird government in the 1990s. Note: Opinion passed to WHA/CAR via email; classification is not a USG classification, but request handling as such as it was provided in confidence by HMG to the USG. End note.) The 36-page document outlines in significant detail a scheme by government ministers and officials to skim money from gasoline taxes collected by the GOAB and allocated to finance a loan taken out from a Japanese company to finance construction of a desalination plant. The report outlines how, by setting up a series of shell companies, granting non-transparent concessions to collect revenue from public sources, and over-reporting the size of the loan itself a number of senior members of government were able to funnel some \$14 million into their own pockets.

¶13. (c) The list of malefactors in the case is a veritable who's who from the Lester Bird government - Bird himself, senior party MP Asot Michael, former Antiguan High Commissioner to the UK Ronald Sanders, Finance Minister John St. Luce, Treasury chief Keith Hurst, Public Utilities Minister Robin Yearwood, and Antiguan Ambassador to Russia and Israel Bruce Rappaport, along with some minor officials and ancillary characters. The firm's findings are still preliminary pending interviews with both the original lender (Ishikawajima-Harima Heavy Industries (IHI) Japan) and some of the accused, but the documentary and interview evidence obtained so far - including from a raid on Asot Michael's personal files - appears to be compelling for at least several of the key players.

COMMENT

¶4. (c) The findings could not have come at a better time for the ruling UPP. Spencer's party holds the slimmest of parliamentary majorities - one seat, and that only with a sort of informal coalition agreement with a local winner on the sparsely populated island of Barbuda. That MP, Trevor Walker, is being wooed by the opposition ALP, while another senior MP in the ruling party - Deputy PM Willmoth Daniel - has an on-again, off-again resignation drama unfolding as a result of a falling out with PM Spencer. Add to this mischief an attempt by the ALP to challenge in court the results from five constituencies from January's elections, where delays in opening polling stations led to accusations of election fraud, and the ruling party's position has appeared precarious from the outset. To counter the threats, Spencer has made it clear that any challenge to specific constituencies would force him to call new general elections, so as not to allow the opposition to "cherry pick" constituencies. At the same time, UPP leaders have made it known that they have damaging evidence against Bird et al., and are prepared to release it if need be prior to any new elections. In such a scenario, moving forward aggressively against the government carries a much higher degree of risk for Bird, as the ALP could actually lose seats on the heels of corruption findings and even possible indictments among its senior leadership.

HARDT